COLORADO HFA HEALTH FACILITIES AUTHORITY

Financial Statements
and
Independent Auditors' Report
September 30, 2009 and 2008

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CERTIFIED PUBLIC ACCOUNTANTS AND ADVISORS

COLORADO HEALTH FACILITIES AUTHORITY

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MANAGEMENT'S DISCUSSION AND ANALYSIS FOR THE YEARS ENDED SEPTEMBER 30, 2009 AND 2008

The following discussion and analysis presents management's discussion of the financial position and results of operations of the Colorado Health Facilities Authority (the "Authority") during the fiscal years ended September 30, 2009 and 2008. This information is being presented to provide additional information regarding the activities of the Authority and to meet the disclosure requirements of Government Accounting Standards Board Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments.* This analysis should be read in conjunction with the Independent Auditor's Report, financial statements and accompanying notes.

The Authority was created by the Colorado Legislature in 1977 as a financing vehicle to enable nonprofit public and private health care institutions to access the tax-exempt capital market when financing or refinancing health care facilities. The Authority does not receive any State funds and is not a State agency. Its operations are funded through annual fees charged to the organizations on whose behalf the Authority issues bonds and other debt obligations (together, "bonds").

The Authority's statute does not provide that the moral authority of the State can be pledged. To the contrary, it explicitly provides that any bonds issued by the Authority are not an indebtedness, a debt or a liability of the State or any political subdivision of the State. All bond documents, bonds and offering circulars pertaining to bonds issued by the Authority state that the bonds are not the obligations of the State or the Authority but are the financial obligations of the health care institutions.

As the Authority has no liability with respect to these bonds and has no beneficial interest in the related assets held by the trustees, the Authority excludes these bonds and related assets held by the trustees from its financial statements.

Overview of the Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. The Authority's basic financial statements are comprised of two components: 1) the financial statements and 2) notes to the financial statements that provide enhanced disclosure of some of the information in the financial statements.

The balance sheet presents information on all of the Authority's assets and liabilities, with the difference between the two reported as net assets. This statement provides information about the nature and the amounts of investments in resources (assets) and the amounts due to the Authority's creditors (liabilities). It provides one way to measure the financial health of the Authority by providing the basis for evaluating the capital structure and assessing the liquidity and financial flexibility of the Authority. This information should be considered along with other non-financial factors such as the change in economic conditions.

All of the current year's revenue and expenses are accounted for in the statement of revenue, expenses and changes in net assets. This statement measures operations over the year and can be used to determine whether the Authority has recovered all of its costs through its revenue sources.

The final required financial statement is the statement of cash flows. This statement reports cash receipts, cash disbursements, and net changes in cash resulting from operating, investing, capital and non-capital activities. This statement provides answers to such questions as where did cash come from, how was cash used, and what was the change in the cash balance during the period.

Condensed Financial Information

	September 30, 2009	September 30, 2008
Total assets	$ 6,517,478	$ 6,377,070
Total liabilities	326,339	371,418
Net assets		
Invested in capital assets	6,762	7,762
Unrestricted assets		
Designated - Assets limited as to use	2,451,912	1,551,130
Undesignated	1,721,126	3,425,742
Indemnification trust	2,011,339	1,021,018
Total net assets	$ 6,191,139	$ 6,005,652

	For the Years Ended September 30, 2009	For the Years Ended September 30, 2008
Operating revenue		
Annual service fees, net	$ 1,024,497	$ 928,355
Initial fees	500,746	416,290
Total operating revenue	1,525,243	1,344,645
Operating expenses		
Direct costs of financings	604,687	443,275
General and administrative expenses	856,982	805,083
Total operating expenses	1,461,669	1,248,358
Investment and miscellaneous income	121,913	274,931
Change in net assets	185,487	371,218
Net assets, beginning of year	6,005,652	5,634,434
Net assets, end of year	$ 6,191,139	$ 6,005,652

Financial Analysis

Balance Sheet

Total assets of the Authority increased $140,408 or 2.2% from $6,377,070 on September 30, 2008 to $6,517,478 on September 30, 2009, while total liabilities showed a slight decrease from $371,418 on September 30, 2008 to $326,339 on September 30, 2009. The increase in assets is a result of the surplus derived from operations which was invested by the Authority.

The net assets of the Authority (the excess of assets over its liabilities) at September 30, 2009 and 2008 were $6,191,139 and $6,005,652, respectively. Of the $6,191,139, approximately $2 million is set aside in an irrevocable indemnification trust. An additional $2,451,912 has been designated by the board to provide future working capital and support operations during periods of unusual fluctuations or unexpected or extraordinary expenses. The remaining net assets of $1,727,888 were undesignated.

Statements of Revenue, Expenses and Changes in Net Assets

Operating Activities

The Authority's operations consist of issuing bonds and loaning the proceeds thereof to health care providers. The Authority also hosts educational seminars for the providers and sponsors and participates in various State associations comprised of hospitals and long term care facilities, as well as in national organizations comprised of entities involved in tax exempt health care finance.

The Authority charges financing and administrative fees for its services as discussed herein and further in Note 1 to the accompanying financial statements.

The total operating revenue for the year ended September 30, 2009 was $1,525,243, an increase of $180,598 or 13% from the prior year. The initial fees are designed to cover the Authority's costs in issuing the bonds of the borrowing health care facilities and are paid by the borrowers at their closings. These fees increased $84,456 in 2009 when compared to 2008, a direct result of the Authority issuing more in par amounts of bonds in 2009 than in 2008. The annual fees cover the operating expenses of the Authority since it receives no funding from the State. These fees increased $96,142, or 10%, from 2008 as a result of having a greater amount of bonds outstanding than in the prior year.

Total operating expenses increased $213,311 or 17.1% for the year ended September 30, 2009 when compared to the same period in 2008. This is due primarily to the increase in the direct costs of financings given the increased bonds issued. General and administrative expenses had a minimal increase, as there has been minimal change in the Authority's operations.

Nonoperating Activities

The only nonoperating revenue shown on the Authority's financial statements is investment income earned on the investments held as part of the Authority's operating fund and trust. These investments are both board designated as well as unrestricted moneys. Investment income decreased $153,018 from the prior year due to market conditions.

Debt Administration

For the year ended September 30, 2009, the Authority issued $485,805,000 in bonds in nine bond issues. In fiscal year 2008, the Authority issued $441,385,000 in ten bond issues.

Budget Analysis

The Authority had budgeted a surplus of $609,087 for fiscal year 2009 before taking into account the refund to borrowers of a portion of their previously paid annual fees. The actual surplus was $185,487, as demonstrated by the following chart after taking into account an aggregate refund of $266,443.

	September 30,		
	2009 (Actual)	2009 (Budgeted)	2008 (Actual)
Revenue	$ 1,647,156	$ 1,973,343	$ 1,619,576
Expenses	1,461,669	1,364,256	1,248,358
Revenue over expenses	$ 185,487	$ 609,087	$ 371,218

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Colorado Health Facilities Authority
Denver, Colorado

We have audited the accompanying financial statements of Colorado Health Facilities Authority (the "Authority") as of and for the years ended September 30, 2009 and 2008 as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of September 30, 2009 and 2008, and the respective changes in its financial position and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2009 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audits.

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To the Board of Directors
Colorado Health Facilities Authority

The management's discussion and analysis on pages 1 through 4 is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was made for the purpose of forming an opinion on the basic financial statements taken as a whole. The Schedule of Bonds Outstanding and the Schedule of Lease-Purchase Financings Outstanding are presented for purposes of additional analysis and are not a required part of the basic financial statements. This information has not been subjected to the auditing procedures applied in our audit of the basic financial statements and, accordingly, we express no opinion on it.

Ehrhardt Keefe Steiner + Hottman PC

Ehrhardt Keefe Steiner & Hottman PC

December 11, 2009
Denver, Colorado

COLORADO HEALTH FACILITIES AUTHORITY

Balance Sheets

	September 30, 2009	September 30, 2008
Assets		
Current assets		
Cash	$ 88,366	$ 124,998
Accounts receivables	293,569	304,063
Deferred financing expenses	10,351	54,564
Other current assets	76,844	98,609
Total current assets	469,130	582,234
Investments	1,578,335	3,214,926
Capital assets, net of accumulated depreciation of $126,649 and $124,400, respectively	6,762	7,762
Assets limited as to use	2,451,912	1,551,130
Indemnification trust	2,011,339	1,021,018
Total assets	$ 6,517,478	$ 6,377,070
Liabilities and Net Assets		
Current liabilities		
Accounts payable	$ 314,789	$ 363,518
Accrued liabilities	11,550	7,900
Total liabilities	326,339	371,418
Commitments and contingencies		
Net assets		
Invested in capital assets	6,762	7,762
Indemnification trust	2,011,339	1,021,018
Unrestricted assets		
Designated - assets limited as to use	2,451,912	1,551,130
Undesignated	1,721,126	3,425,742
Total net assets	6,191,139	6,005,652
Total liabilities and net assets	$ 6,517,478	$ 6,377,070

See notes to financial statements.

COLORADO HEALTH FACILITIES AUTHORITY

Statements of Revenue, Expenses, and Changes in Net Assets

	For the Years Ended September 30, 2009	2008
Operating revenue		
Annual service fees, net	$ 1,024,497	$ 928,355
Initial fees	500,746	416,290
Total operating revenue	1,525,243	1,344,645
Operating expenses		
Direct costs of financings		
Financial consulting	365,957	312,443
Legal costs through closing	152,990	76,306
Post closing legal costs	39,322	40,333
Incomplete financings' costs	33,187	4,402
Multi-state fee expense	11,330	8,982
Other	1,901	809
Total direct costs of financings	604,687	443,275
General and administrative expenses		
Salaries and related	467,912	458,636
Office rent and expenses	140,835	145,954
Professional services	141,212	96,000
Legislative relations	37,369	36,470
Meetings	18,068	22,003
Council dues and meetings	34,303	26,853
Public information/business development	12,227	15,767
Depreciation	2,249	2,000
Trust expenses	2,807	1,400
Total general and administrative expenses	856,982	805,083
Total operating expenses	1,461,669	1,248,358
Operating income	63,574	96,287
Non-operating revenue (expense)		
Interest and dividend income	153,378	250,854
Miscellaneous income	-	17,836
Net (decrease) increase in fair value of investments	(31,465)	6,241
Change in net assets	185,487	371,218
Net assets, beginning of year	6,005,652	5,634,434
Net assets, end of year	$ 6,191,139	$ 6,005,652

See notes to financial statements.

COLORADO HEALTH FACILITIES AUTHORITY

Statements of Cash Flows

	For the Years Ended September 30, 2009	2008
Cash flows from operating activities		
Cash receipts from customers	$ 1,535,737	$ 1,307,995
Cash payments to other suppliers of goods or services	(974,259)	(851,317)
Cash payments to employees for services	(464,262)	(454,179)
Net cash provided by operating activities	97,216	2,499
Cash flows from investing activities		
Proceeds from sales of investments	3,505,000	2,170,000
Purchase of investments	(2,807,150)	(2,818,794)
Interest and dividend income	153,378	250,854
Miscellaneous income	-	17,836
Purchase of investments - indemnification trust	(983,827)	(2,236)
Purchase of equipment	(1,249)	-
Net cash used in investing activities	(133,848)	(382,340)
Net decrease in cash	(36,632)	(379,841)
Cash - beginning of year	124,998	504,839
Cash - end of year	$ 88,366	$ 124,998
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	$ 63,574	$ 96,287
Adjustments to reconcile change in operating income to net cash provided by operating activities		
Depreciation	2,249	2,000
Changes in assets and liabilities		
Accounts receivable	10,494	(36,650)
Deferred financing expenses	44,213	(40,458)
Other current assets	21,765	(4,228)
Accounts payable	(48,729)	(18,909)
Accrued liabilities	3,650	4,457
	33,642	(93,788)
Net cash provided by operating activities	$ 97,216	$ 2,499

Supplemental disclosure of non-cash activity:

Net (decrease) increase in fair value of investments for years ended September 30, 2009 and 2008 was $(31,465) and $6,241, respectively.

See notes to financial statements.

Note 1 - Description of Organization and Summary of Significant Accounting Policies

Organization

Colorado Health Facilities Authority (the "Authority") is an independent public body and political subdivision created, effective July 1, 1977, by an Act of the General Assembly of the State of Colorado. Although the Authority is not considered a component unit of the State of Colorado, the Authority is considered a related party to the State of Colorado.

The purpose of the Authority is to provide access to tax-exempt capital markets to nonprofit public and private health care institutions, to refund or refinance outstanding indebtedness and finance additional facilities and other capital expenditures.

While the Authority issues tax-exempt revenue bonds and enters into leases on behalf of the borrowing institutions, the Authority is not liable with respect to the bonds or lease payments outstanding. The balances included in the accompanying financial statements represent the financial position of the Authority and do not include balances related to the bonds issued or leases financed.

During 1992, Colorado voters passed an Amendment to the State Constitution, Article X, Section 20, which has several limitations, including restrictions on increases in revenue and expenditures and other specific requirements of state and local governments. The Authority received an opinion from its general counsel that the Authority qualifies as an enterprise under the Amendment and therefore is exempt from its provisions.

Component Unit

In 2003, the Authority's Board of Directors approved the creation of the Colorado Health Facilities Authority Trust (the "Trust"). Since the Trust's governing body is substantially the same as the Authority's, the Trust is reported as a blended component unit as defined by Governmental Accounting Standards Board ("GASB") Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*.

Basis of Accounting

In accordance with GASB Statement No. 34 *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*, the Authority is accounted for as a single column business activity. The accompanying financial statements have been prepared on the accrual basis of accounting and the economic resources measurement focus in accordance with accounting principles generally accepted in the United States of America. The Authority applies all statements issued by GASB and those statements issued by the Financial Accounting Standards Board ("FASB") after November 30, 1989, which do not conflict with or contradict GASB statements.

Cash

For the purpose of the statement of cash flows, cash includes cash and investments with a maturity of three months or less when purchased.

Note 1 - Description of Organization and Summary of Significant Accounting Policies (continued)

Accounts Receivable

Accounts receivable arise in the normal course of business related to the annual fees charged to borrowers. The provision for uncollectible amounts is continually reviewed and adjusted to maintain the allowance at a level considered adequate to cover future losses. The allowance is management's best estimate of uncollectible amounts and is determined based on historical performance that is tracked by the Authority on an ongoing basis. The losses ultimately incurred could differ materially in the near term from the amounts estimated in determining the allowance. As of September 30, 2009 and 2008, no allowance was considered necessary.

Investments

Investments are recorded at fair value. Interest, dividend, and realized and unrealized gains and losses are included in non-operating income and expenses when incurred. It is the Authority's intention to hold the investment portfolio on a long-term basis although the underlying investments may have a short-term maturity. Therefore, all investments are reported as non-current assets in the accompanying balance sheets.

Capital Assets

Capital assets are recorded at cost when purchased and are depreciated on the straight-line basis over estimated useful lives of five years.

Assets Limited as to Use

Assets limited as to use represents investments which the Authority's Board of Directors has designated as reserves to provide for future working capital, operating and capital expenditure needs of the Authority. These funds may be expended only upon specific action by the Board of Directors.

Net Assets and Related Reserves

The Authority's net assets are classified as follows:

Invested in capital assets - consists of capital assets net of accumulated depreciation.

Indemnification trust - consists of Trust assets.

Unrestricted - consists of the remaining net assets that are available for unrestricted use.

Note 1 - Description of Organization and Summary of Significant Accounting Policies (continued)

Net Assets and Related Reserves (continued)

The Authority's Board of Directors has approved a policy on the accumulation and maintenance of reserves. In 2008 this policy was set at maintaining budgeted general and administrative expenses for the following year plus $750,000. In 2009, this policy was amended to maintain reserves of up to two times the amount of the Authority's budgeted general and administrative expenses for the following fiscal year plus $750,000. This designated reserve of $2,451,912 and $1,551,130 at September 30, 2009 and 2008, respectively, is maintained in cash and investments, classified as assets limited as to use in the accompanying balance sheets, and is to be updated annually by the Authority's Board of Directors. Currently, the fund balance is sufficient to meet the requirements of the policy.

The Trust assets and interest accrued thereon of $2,011,339 and $1,021,018 as of September 30, 2009 and 2008, respectively, are currently maintained in cash and cash equivalents and classified as the indemnification trust in the accompanying balance sheets.

Revenue and Expenses

The Authority's statements of revenue, expenses, and changes in net assets distinguish between operating and non-operating revenue and expenses. Operating revenue results from exchange transactions associated with arranging financings and includes annual service fees and initial fees. Non-exchange income includes investment income and miscellaneous income and is reported as non-operating. Operating expenses are all expenses incurred to provide financing as well as the administrative expenses of the Authority.

The Authority charges two types of fees to the borrowers, an initial fee and an annual service fee. A portion of the initial fee may be collected prior to the issuance of bonds. In the event that bonds are not issued, any fees collected in excess of legal and other expenses incurred related to the issuance are refundable to the potential borrower. Thus, initial fees are recorded as deferred revenue and recognized as revenue when the related expenses are incurred, with any excess recognized when the bonds are issued. If legal and other expenses incurred exceed fees collected prior to bond issuance, such expenses are deferred and recorded as expense when the bonds are issued. Annual service fees are payable quarterly in arrears based on the bond anniversary date for issuances of borrowers with bonds outstanding of $100,000,000 or less on a cumulative basis and based on the Authority's fiscal year-end for issuances of borrowers with bonds outstanding of more than $100,000,000 on a cumulative basis. During the years ended September 30, 2009 and 2008, the Authority determined to refund $266,443 and $321,586, respectively, of its annual fees to the borrowers.

Note 1 - Description of Organization and Summary of Significant Accounting Policies (continued)

Risk Management

The Authority has a risk management program under which the various risks of loss associated with its business operations are identified and managed. The risk management techniques utilized include a combination of standard policies and procedures and purchased insurance. Commercial general liability, medical, property losses, workers' compensation and public officials' liability are all managed through purchased insurance. In addition, the Authority's Board of Directors entered into an agreement to create a $1,000,000 trust to pay or reimburse, upon satisfaction of certain requirements, any indemnification claims of past, present or future directors, officers and employees of the Authority. During 2009, the Authority's Board of Directors determined that the trust should be increased by $1,000,000, to $2,000,000.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

The Authority has evaluated all subsequent events through December 11, 2009, which is the date the financial statements were issued.

Note 2 - Deposits and Investments

Colorado statutes require that the Authority use eligible public depositories for all cash deposits, as defined by the Public Deposit Protection Act ("PDPA"). Under the PDPA, the depository is required to pledge eligible collateral having a market value at all times equal to at least 102% of the aggregate public deposits held by the depository not insured by the Federal Deposit Insurance Corporation.

Eligible collateral, as defined by the PDPA, primarily includes obligations of, or guarantees by, the U.S. Government, the State of Colorado, or any political subdivision thereof, and obligations evidenced by notes secured by first lien mortgages or deeds of trust on real property.

Note 2 - Deposits and Investments (continued)

The Authority's deposits and investments include the following:

	September 30, 2009		
	Deposits	Investments	Total
Cash	$ 88,366	$ -	$ 88,366
Investments	-	1,578,335	1,578,335
Assets limited as to use	-	2,451,912	2,451,912
Indemnification trust	2,011,339	-	2,011,339
Total deposits and investments	$ 2,099,705	$ 4,030,247	$ 6,129,952

	September 30, 2008		
	Deposits	Investments	Total
Cash	$ 124,998	$ -	$ 124,998
Investments	-	3,214,926	3,214,926
Assets limited as to use	-	1,551,130	1,551,130
Indemnification trust	1,021,018	-	1,021,018
Total deposits and investments	$ 1,146,016	$ 4,766,056	$ 5,912,072

The banks' balance on deposit was $103,345 and $144,397 at September 30, 2009 and 2008, respectively.

GASB Statement No. 40, *Deposit and Investment Risk Disclosure*, establishes and modifies disclosures requirements related to interest risk, custodial credit risk, concentration of credit risk, and foreign currency risk. The Authority's investment portfolio is not exposed to foreign currency risk. As of September 30, 2009 and 2008, the Authority had the following investments:

	September 30, 2009		September 30, 2008	
Investment Type	Fair Value	Weighted Average Maturity in Years	Fair Value	Weighted Average Maturity in Years
U.S. Treasury obligations	$ 1,945,895	1.58	$ 700,378	0.22
Mortgage backed funds	1,084,352	0.38	4,065,678	0.81
Certificates of deposit	1,000,000	0.38	-	n/a
	$ 4,030,247		$ 4,766,056	
Portfolio weighted average maturity		0.96		0.72

Note 2 - Deposits and Investments (continued)

Interest Rate Risk - In accordance with its investment policy, the Authority manages credit risk by investing surplus funds in accordance with Colorado state statutes, at the maximum interest rates available for maturities coincident with the need for those funds. The Authority manages its exposure to declines in fair values by purchasing investments with different maturities, not to exceed ten years.

Credit Risk - The Authority adheres to an investment policy of purchasing investments restricted to direct U.S. Treasury obligations, U.S. agency obligations, obligations issued by any state or any of its political subdivisions, repurchase agreements secured by U.S. Treasury or U.S. agency obligations and qualified certificates of deposit or time deposits which are insured by the FDIC. The Authority's investments in Treasury obligations were rated AAA by Standard & Poor's and Aaa by Moody's. The Authority's mortgage backed funds were rated AAA by Standard & Poor's and Aaa by Moody's. The Authority's certificates of deposit were rated AA+ by Standard & Poor's and Aa1 by Moody's.

Note 3 - Capital Assets

Capital assets consist of the following:

September 30, 2009	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Furniture and fixtures	$ 132,162	$ 1,249	$ -	$ 133,411
Less accumulated depreciation				
Furniture and fixtures	(124,400)	(2,249)	-	(126,649)
Total capital assets	$ 7,762	$ (1,000)	$ -	$ 6,762

September 30, 2008	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated				
Furniture and fixtures	$ 132,162	$ -	$ -	$ 132,162
Less accumulated depreciation				
Furniture and fixtures	(122,400)	(2,000)	-	(124,400)
Total capital assets, being depreciated	$ 9,762	$ (2,000)	$ -	$ 7,762

Note 4 - Budget Policies

The Authority prepares a non-appropriated operating budget annually. This budget is adopted by the Authority's Board of Directors who review actual results as compared to the budget on a quarterly basis. The budget is prepared on the accrual basis of accounting.

Note 5 - Lease Commitments

The Authority entered into a lease for office space beginning August 1, 2006, and terminating July 31, 2011. The future minimum rental commitment under the lease agreement is as follows:

For the Years Ending September 30,	
2010	$ 64,209
2011	53,508
	$ 117,717

Rental expense of $74,057 and $75,239 was charged to operations for the years ended September 30, 2009 and 2008, respectively.

Note 6 - Pension Plan

The Authority contributes to the Local Government Division Trust Fund ("LGDTF"), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employee's Retirement Association of Colorado ("PERA"). The LGDTF provides retirement and disability, post-retirement annual increases, and death benefits for members or their beneficiaries. All employees of the Authority are members of the LGDTF. Title 24, Article 51 of the Colorado Revised Statutes ("CRS"), as amended, assigns the Authority to establish benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the LGDTF. That report may be obtained online at www.copera.org or by writing to Colorado PERA, 1300 Logan Street, Denver, Colorado 80203 or by calling PERA at 303-832-9550 or 1-800-759-PERA (7372).

Plan members and the Authority are required to contribute to the LGDTF at a rate set by statute. The contribution requirements of plan members and the Authority are established under Title 24, Article 51, Part 4 of the CRS, as amended. The contribution rate for members is 8.0% and for the Authority it is 10% of covered salary. A portion of the Authority's contribution, 1.02% for the years ended September 30, 2009 and 2008, is allocated for the Health Care Trust Fund. The Authority is also required to pay an amortization equalization disbursement of 1.8% and 1.4%, respectively, of the total payroll for the calendar years 2009 and 2008. The Authority is also required to pay a supplemental amortization equalization of 1.0 and 0.5 percent of total payroll for the calendar years 2009 and 2008, respectively. The total contribution rate was 12.8% and 11.9%, respectively for the calendar years 2009 and 2008. The Authority's employer contributions to PERA for the years ended September 30, 2009 and 2008, were $41,430 and $36,985, respectively, equal to their required contributions for the year.

Note 7 - Defeased Bond Issues

A number of the Authority's bond issues have been defeased with the proceeds of Authority refunding bonds or escrow deposits made by the borrower institutions. In these instances, cash, U.S. Government obligations or other securities permitted by the bond indentures are deposited with a trustee in an irrevocable escrow account to be used solely to retire the bonds being refunded at a future date. This escrow deposit must be sufficient in amount to pay maturing principal, interest and applicable call premiums on the advance refunded bonds when due. The escrowed assets are pledged solely to the bondholders of the refunded issues. The lien and secured interests of the bond trustee and the Authority created by the bond indenture and loan agreement governing the advance refunded bond issue are defeased or released at the time the escrow deposit is made. As such, defeased bond issues are not considered to be outstanding as of September 30, 2009 and 2008, as applicable, in Schedule I - Schedule of Bonds Outstanding (unaudited) and the balance disclosed in Note 9.

Note 8 - Defaults

Certain bond issues may be declared to be in default from time to time. While the Authority is not responsible for the repayment of the bonds, it does incur costs to assist in the resolution of the defaults. As of September 30, 2009, the Authority is not aware of any bond issues that were in default.

Note 9 - Bond Issues and Lease-Purchase Financings (Unaudited)

As of September 30, 2009 and 2008, the Authority was involved in the bond issues and lease-purchase financings as shown in Schedule I - Schedule of Bonds Outstanding (unaudited) and Schedule II - Schedule of Lease - Purchase Financings Outstanding (unaudited). The total amount of conduit debt outstanding at September 30, 2009 and 2008 is $4,401,345,887 and $4,116,255,492 for bonds, and $14,557,911 and $20,405,683 for leases, respectively.

ACCOMPANYING INFORMATION

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Colorado Health Facilities Authority
Denver, Colorado

We have audited the accompanying financial statements of Colorado Health Facilities Authority (the "Authority"), as of and for the year ended September 30, 2009, and have issued our report thereon dated December 11, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

In planning and performing our audit, we considered the Authority's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

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To the Board of Directors
Colorado Health Facilities Authority

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

Ehrhardt Keefe Steiner + Hottman PC

Ehrhardt Keefe Steiner & Hottman PC

December 11, 2009
Denver, Colorado

Schedule I - Schedule of Bonds Outstanding
(Unaudited)

Bond Issue	Amount Outstanding as of September 30, 2009	2008
Adventist Health System/Sunbelt Obligated Group, Series 2004	$ 46,145,000	$ 46,145,000
Adventist Health System/Sunbelt Obligated Group, Series 2006	236,820,000	237,325,000
Allosource Project, Series 2006	12,303,533	13,954,063
Allosource Project, Series 2007	1,565,342	2,042,938
American Baptist, Series 2007	37,735,000	38,175,000
American Housing Foundation I, Inc. Project, Replacement Series 2002	-	3,790,000
Arapahoe House, Series 2004	4,730,000	4,950,000
Bethesda Adult Communities, Series 2008	21,480,000	21,480,000
Bethesda Foundation - 1999 Projects, Series 1999	16,955,000	17,375,000
Bethesda Living Centers, Series 2004	12,030,000	12,290,000
Boulder Community Hospital Project, Series 1989 B & C	11,145,000	12,570,000
Boulder Community Hospital Project, Series 1994 A & B	18,370,000	19,155,000
Boulder Community Hospital Project, Series 2000	58,980,000	60,360,000
Boulder Community Hospital Project, Series 2003 A & B	59,780,000	61,160,000
Brent Eley Center, Series 2007	5,000,000	5,000,000
Catholic Health Initiatives, Composite Issue, Series 1997A & B	91,395,000	100,685,000
Catholic Health Initiatives, Series 2000B	61,900,000	66,000,000
Catholic Health Initiatives, Series 2002A & B	50,500,000	51,600,000
Catholic Health Initiatives, Series 2004	241,000,000	250,000,000
Catholic Health Initiatives, Series 2006	536,500,000	536,500,000
Catholic Health Initiatives, Series 2008	200,000,000	200,000,000
Catholic Health Initiatives, Series 2008D	215,755,000	-
Christian Living Campus - Holly Creek Project, Series 2004	17,010,000	17,325,000
Christian Living Campus, Series 2006	68,880,000	81,895,000
Christian Living Communities - Clermont Park, Series 2009	29,755,000	-
Colorado West Regional Mental Health Center, Series 2005	-	10,060,000
Composite Issue, Revenue Bonds, Series 1998A-H	6,220,000	6,750,000
Covenant Retirement Communities, Inc., Series 1999A	12,900,000	12,900,000
Covenant Retirement Communities, Inc., Series 2002A & B	48,910,000	49,205,000
Covenant Retirement Communities, Inc., Series 2005	145,000,000	147,040,000
Covenant Retirement Communities, Inc., Series 2006	17,225,000	17,890,000
Craig Hospital Project, Series 2003	11,325,000	12,100,000
Denver Options, Inc., Series 2002	12,900,000	13,190,000
Devereux Foundation, Series 2002	10,870,000	11,505,000
Eaton Terrace Residences Project, Series 2006	7,940,000	8,105,000
Evangelical Lutheran Good Samaritan Society Project, Series 2000	12,045,000	12,425,000
Evangelical Lutheran Good Samaritan Society Project, Series 2002	26,580,000	27,660,000
Evangelical Lutheran Good Samaritan Society Project, Series 2004	27,410,000	81,520,000
Evangelical Lutheran Good Samaritan Society Project, Series 2005	62,030,000	63,200,000
Evangelical Lutheran Good Samaritan Society Project, Series 2006	99,340,000	101,135,000
Evangelical Lutheran Good Samaritan Society Project, Series 2007	23,830,000	23,830,000
Evangelical Lutheran Good Samaritan Society Project, Series 2008	21,215,000	-
Evangelical Lutheran Good Samaritan Society Project, Series 2009	80,975,000	-

(Continued on the following page)

Schedule I - Schedule of Bonds Outstanding
(Unaudited)

(Continued from the previous page)

Bond Issue	Amount Outstanding as of September 30, 2009	2008
Exempla Healthcare, Series 2002A & B	81,065,000	82,930,000
Exempla Healthcare, Series 2009	33,000,000	-
Exempla Northwest Medical Center, Series 2002A	160,535,000	162,525,000
Fraiser Meadows Manor Inc. Project, Series 1999	17,270,000	18,315,000
Fraiser Meadows Manor Inc. Project, Series 2008	30,000,000	-
Global Country, Series 2006	17,145,000	21,945,000
Global Country, Series 2007	17,460,000	18,360,000
Golden West Manor, Series 2005	8,375,310	8,528,977
Golden West Manor, Series 2006	6,680,000	6,680,000
Goodwill Industries of Denver, Series 2004	4,845,000	5,140,000
Kentucky Circle Village, Series 2005	4,237,950	4,302,484
Longmont United Hospital Project, Series 2003	11,460,000	12,195,000
Longmont United Hospital Project, Series 2006	86,140,000	87,580,000
MARC, Series 2008	4,483,476	4,909,101
Maranatha Volunteers International, Inc., Series 2004	9,290,000	10,685,000
Maranatha Volunteers International, Inc., Series 2008	6,000,000	-
Metro Community, Series 2006	8,793,374	9,137,202
National Jewish Medical and Research Center Project, Revenue Bonds, Series 1998	26,060,000	26,845,000
National Jewish Medical and Research Center Project, Series 1998B	4,645,000	4,775,000
National Jewish Medical and Research Center Project, Series 2005	12,600,000	12,900,000
North Colorado Medical Center, Series 1993	-	30,515,000
North Colorado Medical Center Hospital Improvement Revenue Bonds, Series 1999	-	1,450,000
North Colorado Medical Center Inc. Project, Series 2003	89,650,000	91,185,000
North Colorado Medical Center Inc. Project, Series 2005	44,800,000	45,205,000
North Colorado Medical Center Inc. Project, Series 2008	53,750,000	-
Parkview Medical Center, Inc. Project, Revenue Refunding Bonds, Series 2001	-	770,000
Parkview Medical Center, Series 2004	17,375,000	17,475,000
Parkview Medical Center, Series 2005	8,325,000	8,365,000
Parkview Medical Center, Series 2007	67,995,000	68,910,000
Plan De Salud del Valle, Series 2005	10,125,000	10,395,000
Plan De Salud del Valle, Series 2008	6,500,000	-
Porter Place, Inc. Project - GNMA Collateralized, Series 2000A & B	9,790,000	9,940,000
Poudre Valley Health Care, Inc., Series 1999A & B	3,645,000	6,755,000
Poudre Valley Health Care, Inc., Series 2005	370,000,000	370,000,000
Project Cure, Series 2008	7,905,000	7,905,000
Shalom Park, Series 2001	15,900,000	16,435,000
Sisters of Charity of Leavenworth Health Services Corporation, Revenue Bonds, Series 1998	88,215,000	91,140,000
Sisters of Charity of Leavenworth Health System, Series 2002	67,500,000	69,300,000
Sisters of Charity of Leavenworth Health System, Series 2003	78,110,000	80,415,000

(Continued on the following page)

COLORADO HEALTH FACILITIES AUTHORITY

Schedule I - Schedule of Bonds Outstanding (Unaudited)

(Continued from the previous page)

Bond Issue	Amount Outstanding as of September 30, 2009	2008
Sunnyrest Villa Project, Series 2004	3,626,902	3,695,727
Total Longterm Care Project, Series 2002	2,780,000	3,255,000
Vail Valley Medical Center, Series 2001	20,755,000	20,755,000
Vail Valley Medical Center, Series 2004	19,190,000	20,555,000
Valley View Hospital, Series 2006	8,135,000	9,090,000
Valley View Hospital, Series 2007	45,000,000	45,000,000
Valley View Hospital, Series 2008	51,145,000	51,145,000
Visiting Nurse Corporation of Colorado, Inc., Revenue Bonds, Series 1997	880,000	990,000
Visiting Nurse Corporation of Colorado, Inc., Series 2001A & B	625,000	725,000
Volunteers of America Care Facilities Obligated Group Projects, Series 2007	36,550,000	37,135,000
Yampa Valley, Series 2007	40,540,000	41,705,000
	$ 4,401,345,887	$ 4,116,255,492

COLORADO HEALTH FACILITIES AUTHORITY

Schedule II - Schedule of Lease-Purchase Financings Outstanding (Unaudited)

Lease	Maturity	Principal Portion of Lease Payments Outstanding as of September 30, 2009	2008
Longmont United Hospital, Master Lease and Sublease Agreement, Series 2003	2003-2008	$ -	$ 373,153
Exempla Inc., Series 2004	2004-2009	2,475,839	4,408,708
National Jewish Medical and Research Center, Series 2008	2008-2013	9,307,056	11,787,843
Southwest Hospital System, Series 2004	2004-2009	-	247,501
Longmont, Series 2006	2006-2011	2,775,016	3,588,478
		$ 14,557,911	$ 20,405,683